

North Dakota Department of Transportation

Francis G. Ziegler, P.E.
Director

John Hoeven
Governor

April 6, 2010



Ms. Pam Sharp, Director
Office of Management and Budget
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Ms. Sharp:

Subject: State Fleet Services 2011-2013 Biennium Budget Guidelines

The State Fleet Services budget guidelines for the 2011-2013 biennium are attached and explained as follows:

1. The mileage/hourly rates consist of two components: Operating costs and depreciation.
 - a. Operating costs include parts, fuel, insurance, labor, shop overhead, and administration, divided by usage and charged back on a per-mile/hour basis.
 - b. Depreciation is the actual cost, less salvage value of the fleet, spread over the estimated useful life of the vehicle, divided by usage, and charged back on a per-mile/hour basis.
2. The replacement rate is the difference between what is needed to purchase new vehicles, and the amount that is recovered through the depreciation portion of the rate. Because this rate is to fund replacement costs, it cannot be charged to federal programs. The replacement rate also funds additional vehicle needs. Agencies are to budget the total of the mileage/hour rate and the replacement rate. The funding source for the replacement rate must be either general or special funds.

You will notice across-the-board increases because fuel costs, commercial repairs, and labor are anticipated to increase. However, State Fleet Services will continue to make every effort to keep these rising costs at a minimum. Minimum mileage standards have been implemented for the past four years for several of the newly purchased vehicles to offset rising fuel costs.

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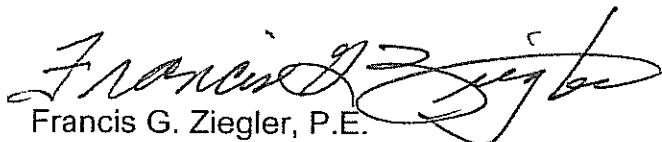
The attached budget guidelines reflect our best estimate of potential costs for the next biennium. The projected fuel prices used to create these guidelines are less than what we experienced a couple of years ago during record times. Therefore, keep in mind that many factors, including greater than expected fuel prices, can increase the actual rental rates to exceed these projections.

All agencies anticipating increases in monthly rentals must identify in writing the number of units, and which rental group will be affected so State Fleet Services can plan accordingly.

Each agency/institution's mileage may be determined by referring to the monthly billing report located in the billing and usage system (BUS).

Should you have any questions, please contact Paul Hanson, State Fleet Services Director at 701-328-2543.

Sincerely,


Francis G. Ziegler, P.E.
Director

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Attachment